THE AGRICULTURAL ADJUSTMENT ACT

APPLIED TO

COTTON

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>
> Franklin D. Roosevelt

THE SITUATION

Farmers are getting much less income from their cotton than they formerly received. The 1928 crop brought in nearly one billion and a half dollars. The 1932 crop sold for less than one half a billion dollars. Prices are low because there is more cotton in the world than anybody will buy at a fair price. It looks as if there will be another big crop this year. Unless something is done to stop it, there will be too much cotton this year, too; and cotton farmers will not get much income from it. Obviously, something must be done to stop a big crop from being produced or harvested, or conditions in the South will remain bad. It is important for the rest of the country, too, that the South get better incomes—southern farmers cannot buy things from other sections unless they have money with which to buy.

There were only 4½ million bales of American cotton in the world carry-over when farmers started to harvest the new crop in 1929. When the farmers started to harvest the 1932 crop there were 13 million bales of old American cotton on hand. Last year's crop ginned out 13 million bales more, making altogether 26 million bales available for use last season. This was enough cotton to last for nearly 2 years. It looks now as if 12 million bales or more of this cotton will still be left unused when farmers begin picking their new crop on August 1 of this year. Moreover, unofficial reports indicate that there has been a marked increase in cotton acreage this year, perhaps 7 to 10 percent. (Official statistics have not yet been com-

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piled.) Many farmers applied more fertilizer and the new crop generally looks to be in the best of condition. Even if the yield per acre is only average, the bigger acreage should produce around 14 million bales. A crop this size on top of the large quantity of old cotton still on hand would make 26 million or more bales of cotton to be sold this year—just as big a supply as a year ago.

There is practically no chance that the use of cotton will increase enough to consume much of this excessive supply. If farmers keep on producing as much cotton as they have been producing recently, it would take 4 years to get rid of the extra cotton on hand, even if the use of cotton should increase to the large quantities which were being used before the business troubles began in 1929. That means that it would be 3 or 4 years before the South would begin to get decent prices for cotton again. These facts make it clear why something definite has to be done about cotton if southern farmers are really to get fair incomes.

THE PLAN

To help solve this problem, the Agricultural Adjustment Administration of the United States Department of Agriculture has announced a plan under which the cotton grower will offer to retire a part of his present crop from production. He will sign a contract with the Government. For an agreed compensation per acre he will retire from production from 25 to 50 percent of the land he now has in cotton.

Two plans are available to compensate the cotton producer who desires to do this. These plans are:

(1) A cash payment based on the average yield of the land, ranging from $7 an acre for the 100-pound to $20 an acre for the highest-yield land producing 275 pounds or more to the acre.

(2) A cash payment, plus options on Government-held cotton at 6 cents a pound.

For those cotton producers who prefer to take full payment in cash—rather than partly in options on Government cotton at 6 cents per pound—payment will be made of a cash sum per acre for land in cotton which they offer to the Secretary of Agriculture, with no right to buy Government cotton on option. This plan will give the producer soon after the acceptance of the offer a higher immediate payment than he would receive if he took an option as well. It is designed for the special benefit of those producers who feel that they must have the increased cash payment immediately and do not want a portion of their benefits deferred. The cash payment will be made as soon as the farmer is notified that his offer has been accepted by the Government, retires the agreed acres from cotton production, and has the reduction certified by the proper local committee.

Under the second plan, the grower will receive a cash payment for each planted acre he takes out of production, and also will receive an option, at 6 cents a pound, on cotton now held by the Government. The cash payment will vary according to the productivity of the land. The payment to be made for each acre with a yield of around 100 pounds will be $6. Payments will range upward, based on the productivity of the land. Producers with highest-yield land producing 275 pounds or more will receive $12 an acre. The average will be about $8 an acre.

This payment is designed to compensate the producer for his cost in bringing to its present stage the portion of the crop which he takes

out of production. In addition to the cash payment which will be paid if the Secretary of Agriculture accepts the offer, the producer will be given an option on an amount of cotton equal to the amount which the acreage he retires would produce. If cotton prices stay up or advance, the farmer can exercise his option, have the cotton sold, and take the profit. If prices fall below 6 cents, the Government will stand the loss. The farmer may have the cotton sold at such time before May 1, 1934, as he thinks will be to his best advantage and bring him the greatest return. He will receive the full difference in any advance in the price above 6 cents per pound.

The purpose of this plan is, first, to retire acreage from the present crop and reduce supplies; second, to compensate the grower for funds he has expended in planting and cultivating this acreage; and third, to give the grower the right to buy an amount of cotton equal to that which he retires from production, at the low price of 6 cents per pound, so that at the end of the crop year he will have the same amount of cotton for the market that he would have had if he had not participated in this plan.

The first objective achieved by the plan would be to reduce the amount of cotton that would be produced this year. Retiring this cotton from production will, it is believed, reduce excessive supplies of cotton sufficiently to improve prices. The producer will not have suffered any loss from taking acreage out of production. The plan pays him for that. He will gain through any price advance that may result from this program, and will have the same amount of cotton to sell during the marketing season.

Summarizing, the Agricultural Adjustment Administration will submit to the producers for acceptance or rejection the following proposal, which, if and when signed by growers and by the Secretary, will constitute a contract:

(*a*) That the producer agrees to take out of cotton production a certain acreage now planted to cotton.

(*b*) That as a consideration for the abandonment of such acreage, the grower shall receive the following:

EITHER:

(1) A cash payment without cotton option as stated in such offer when signed by the producer. The amount of such benefit payment is to be on a per acre basis, subject to the regulations prescribed by the Secretary of Agriculture, and in accordance with the following schedule:

Schedule of payments when payment is made in cash only

Yield per acre	Payment per acre without option	Yield per acre	Payment per acre without option
100 to 124 pounds	$7	175 to 224 pounds	$14
125 to 149 pounds	9	225 to 274 pounds	17
150 to 174 pounds	11	275 pounds and over	20

OR, AT THE GROWERS' ELECTION:

(2) A cash payment with cotton option as stated in such offer signed by the producer. The amount of such cash payment is to be on a per acre basis, subject to the regulations prescribed by the Secretary, and in accordance with the following schedule:

Schedule of payments with option

Yield per acre	Benefit payment per acre with option	Yield per acre	Benefit payment per acre with option
100 to 124 pounds	[1] $6	175 to 224 pounds	[1] $10
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[1] Cash plus option on Government cotton at 6 cents a pound.

These voluntary agreements above referred to, are to be in a form prescribed by the Secretary which when signed by the producers is to constitute an irrevocable offer for a limited, specified period of time during which the Secretary may accept or reject it.

IT IS UP TO THE COTTON FARMER

This program places the problem squarely before the producers themselves. The cotton farmer must decide whether or not he wants the help of the Federal Government in a combined effort to reduce the burdensome cotton surplus by adjusting production. The Secretary of Agriculture and those administering the Agricultural Adjustment Act do not believe it wise to undertake any program so broad in its scope unless cotton farmers themselves say that they want it done and promise to help to work it out. The Government believes this program is the best and surest method of making the adjustments necessary to improve the cotton farmers' situation. The farmer, individually, must decide whether it shall be done. His cooperation is the key to the success of the plan. He must decide whether the plan shall be attempted. Only if a large majority of cotton farmers agree to help can the plan be carried out.

Therefore, contracts have been sent out to the county agents and local committees. These contracts constitute a binding offer from the farmer to the Secretary of Agriculture to retire from production a certain number of the acres already planted to cotton. If enough producers make these offers the Secretary of Agriculture will declare the plan operative, and close contracts on the acreage necessary to accomplish the ends sought. Payment of the sum agreed upon will be made immediately upon proof that the farmer has complied with his contract.

The issue is squarely up to the farmer.

If the farmer wants to retire a portion of his cotton land, get paid for it, and join in a coordinated campaign to remove a large portion of the cotton surplus, which surplus has been largely responsible for the low prices of cotton, it is up to him. This pamphlet sets forth a mere summary of the plan to reduce cotton acreage this year. The cotton farmer must make up his mind whether he wants this job done. The centralizing powers of the Government stand ready to help him in this emergency if he will help himself.

Local committees and county agents have detailed information concerning the program for cotton.

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